

D. McLean Don Downing

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BROADCASTING LTD.
Annual Report '70

REGISTERED OFFICE

1134 Burrard Street, Vancouver, B.C.

BOARD OF DIRECTORS

W. E. BELLMAN President, Q Broadcasting Ltd., Vancouver

J. E. STARK Vice-President - Finance and Secretary-Treasurer, Q Broadcasting Ltd.

M. L. FOISY Vice-President - Programming (Vancouver), Q Broadcasting Ltd., Vancouver

J. G. LAMB Director, A. E. Ames & Co. Ltd., Vancouver

A. B. CLIFF President, Wescorp Industries Ltd., Vancouver

G. T. GUEST Partner, Robson, Alexander & Guest, Barristers & Solicitors, Vancouver

R. H. CLARE Secretary-Treasurer, Northern Hardware Furniture Co. Ltd., Prince George

OFFICERS

W. E. BELLMAN President, Chief Executive Officer

J. E. STARK Vice-President - Finance, Secretary-Treasurer

M. L. FOISY Vice-President - Programming (Vancouver)

N. L. HULLAH Vice-President - Sales (Vancouver)

TRANSFER AGENTS

MONTRÉAL TRUST COMPANY, Vancouver

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON, Vancouver



HIGHLIGHTS OF THE YEAR

Twelve months ended
August 31, 1970

Net income for the year	\$ 275,603
Earnings per share	72¢
Source of funds:	
Operation	\$ 429,940
Provision for income taxes	287,280
Working capital at end of year	206,762
Shareholders' equity	1,589,908
Long term debt	24,774



W. E. BELLMAN
President

PRESIDENT'S REPORT

Every year in the communications business seems like an unusual year. It is probably due in large part to the fact that few things in our life are changing and expanding more rapidly and dramatically than electronics and communications.

This year has special significance to Q Broadcasting Ltd. shareholders because it was our first year as a public company. The period covered in this first Annual Report is the twelve months ending August 31st, 1970.

Q Broadcasting Ltd. owns and operates Radio Stations CHQM and CHQM-FM Stereo Vancouver, Radio Station CPG, Television Station CPG-TV Prince George, B.C. and Q Music, the largest background music service in the Province of British Columbia.

During the year Gross Revenues of your company grew from \$1,927,803 to \$2,399,667, an increase of 24.5%. Net Profits rose from \$216,822 to \$275,603, an increase of 27.1%.

Earnings per share were 72¢ compared to 55¢ the previous year based on weighted average of shares outstanding. All figures quoted are on a comparative basis for the full twelve month period even though actual takeover of the Prince George Stations was effective May 27, 1969.

In March of this year, an application was filed with the Canadian Radio and Television Commission for approval of the purchase by Q Broadcasting Ltd. of all of the shares of S.O.T.V. Ltd., a company operating a Community Antennae Television (Cable) System in Kelowna, Penticton, Hedley and Revelstoke, B.C.

This application has not been scheduled for a Public Hearing of the C.R.T.C. at this date.

Consideration of payment of a dividend to company shareholders has been deferred until this application has been heard and a decision handed down so that financial arrangements can be finalized.

While both Gross Revenue and Net Profit have shown dramatic increases during the past year, your company is fortunate in having its operations located in two of the fastest growing areas in British Columbia. The population of Metropolitan Vancouver and in the trading area of Prince George has a projected growth of around fifty per cent during the nineteen seventies.

With the industrial growth resulting from huge investments projected for these high income areas, prospects for continued rapid growth of Q Broadcasting Ltd. seem assured.



W. E. BELLMAN
President

CHQM and CHQM-FM, VANCOUVER

One of our promotion campaigns for Radio Station CHQM, Vancouver during the past twelve months was built around the theme "Four Talkers, One Rocker and Us". If we were to update this phrase it would now read "Three Talkers, Two Rockers and Us".

If you are familiar with Vancouver Radio Stations you'll recognize our competition as described. Three stations in Vancouver feature open line telephone shows while two compete for the youth audience. CHQM is programmed consistently to attract the younger adults in the age bracket of 25 - 49 years. Listeners in this group, according to Dominion Bureau of Statistics Research, account for seventy per cent of all consumer purchases. Recent listener surveys show CHQM is listened to by more of these people than any other Vancouver station.

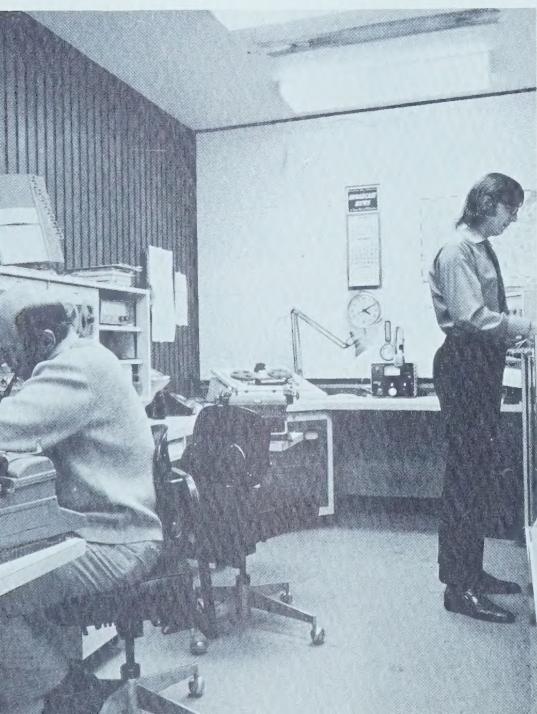
CHQM-FM continues to be the most listened to FM station in British Columbia. The size of this potential audience continues to grow as well. Approximately seventy-five per cent of all homes in our coverage area now have FM receivers.

CHQM-FM is also carried on a spare channel of some 150,000 cable television subscribers in B.C.

During the past twelve months publication of Vancouver's two daily newspapers was suspended for approximately ninety days. This resulted in increased demand for radio and television advertising time.

Partially offsetting this increase, the B.C. economy experienced a very unsettled year adversely affected by labour disputes, rising unemployment and inflation. In view of the wide fluctuation of events affecting broadcast revenues in Vancouver during our last fiscal year it is extremely difficult to project revenues for the coming year. With the current slowdown in the economy it is unlikely however, that revenue increases in the next twelve months on CHQM and CHQM-FM will show the spectacular increases of the past year.





Q MUSIC

Q Music is our background music service. It is not only the largest service of its kind in British Columbia serving more than nine hundred subscribers, but Q Music is also the second largest operation in this field in all of Canada.

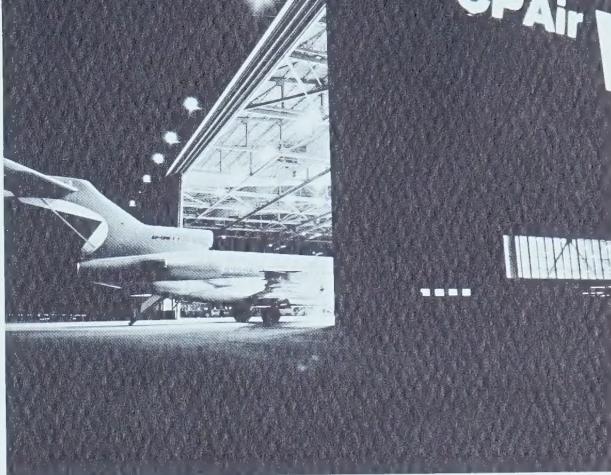
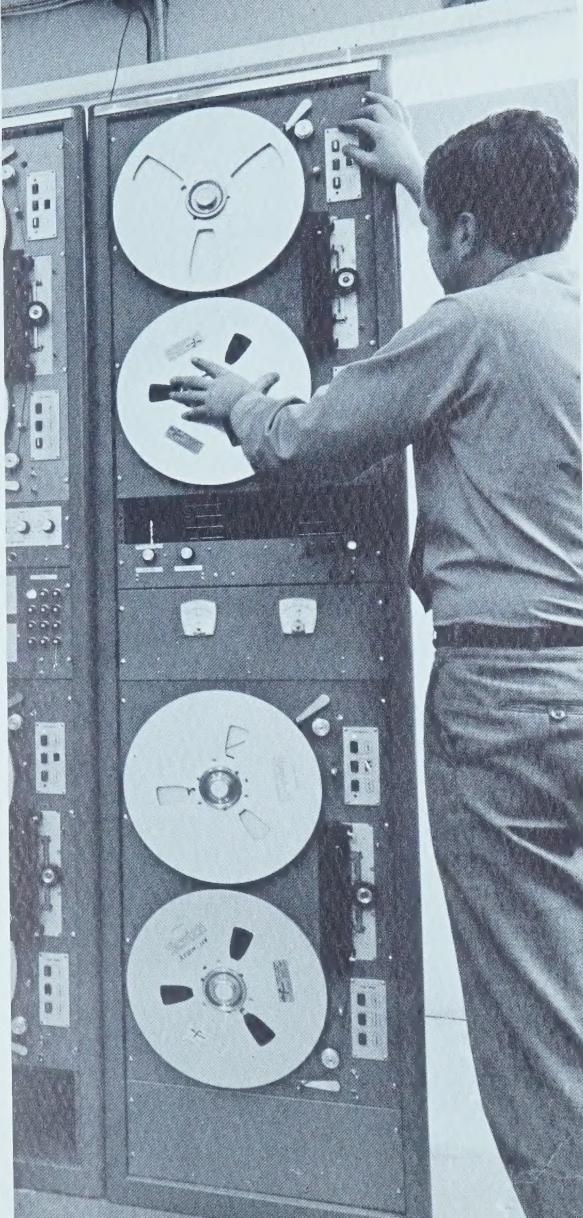
Q Music serves its subscribers on the lower Mainland and Vancouver Island with either telephone lines or specially built FM Receivers. These receivers pick up Q Music from a sub-channel on CHQM-FM Multiplex. The music is completely separate from our regular programming on the main channel.

Q Music varies constantly in tempo and type of music in keeping with the time of day and season of the year. You will hear Q Music in Vancouver's New International Airport, the Bentall Centre, Canada Safeway and Super Valu Stores, plus many offices, restaurants, banks, barber shops and even steam baths and a chicken hatchery within our coverage area.

Q Music has also extended our service to Kelowna and Prince George recently.

With the huge building projects already announced for the immediate future in Vancouver and the growing acceptance of background music as essential in both working and public areas we anticipate considerable growth in this division of your company.





CKPG and C KPG-TV, PRINCE GEORGE

Our takeover and control of the operation of these two properties took place in January, 1970, following approval of the purchase by The Canadian Radio and Television Commission late in 1969.

Since that date we have been striving to improve both the quality of the service being provided to the community and through increased sales, their profitability.

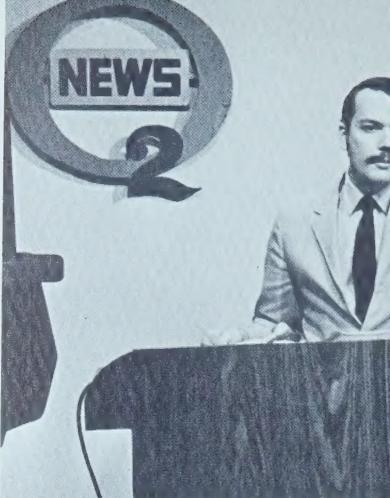
The news service of both stations has been improved through the addition of a Mobile News Van. This panel truck is completely equipped for both radio and television coverage of local news. Weekend news coverage has also been strengthened.

Approximately fifty thousand dollars worth of new television studio and projection equipment has been ordered for C KPG-TV and should be operative during the latter months of 1970.

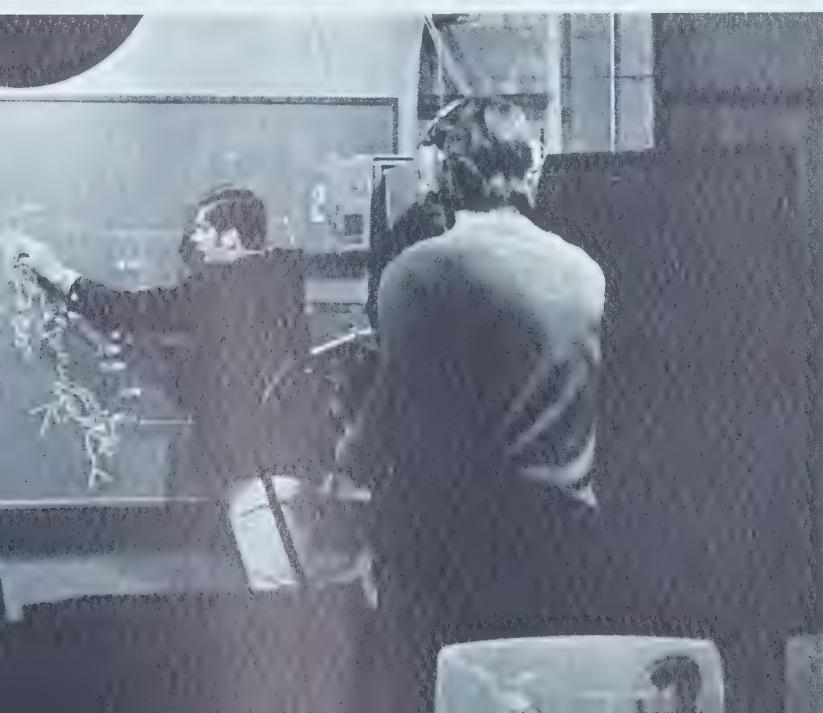
New mobile studio equipment has also been ordered for C KPG Radio.

A new competitor in the radio field went on the air in late summer of this year. To this date this new station does not appear to have seriously affected radio sales.

We believe the greatest potential for immediate increased sales and earnings lies in C KPG-TV. A special effort will be made to improve both commercial production and sales techniques during the coming year.



**2000 sq. ft.
of Value-Packed**



Q BROADCASTING LTD.

Ind. subsidiary companies
Incorporated under the laws
of British Columbia)

**CONSOLIDATED
BALANCE SHEET
AT AUGUST 31, 1970**

(with comparative figures at August 31, 1969)

	1970	1969
ASSETS		
CURRENT ASSETS		
Cash and deposit receipts	\$ 276,553	\$ 150
Accounts receivable		
Trade	366,426	315,121
Other	8,360	—
Prepaid expenses	20,942	19,557
	<u>672,281</u>	<u>334,828</u>
OTHER ASSETS		
Share purchase deposit (note 5)	50,000	—
Life insurance, cash surrender value	5,245	4,339
	<u>55,245</u>	<u>4,339</u>
FIXED ASSETS, at cost		
Buildings and equipment	1,522,962	1,447,633
Leasehold improvements	63,169	63,169
	<u>1,586,131</u>	<u>1,510,802</u>
Less accumulated depreciation and amortization	847,361	723,547
	<u>738,770</u>	<u>787,255</u>
Land	84,007	84,198
	<u>822,777</u>	<u>871,453</u>
INTANGIBLES AND DEFERRED CHARGES		
Excess of cost over book value at date of acquiring shares of subsidiaries	591,142	591,142
Deferred finance charges	9,543	14,203
	<u>600,685</u>	<u>605,345</u>
Approved by the Board		
W. E. BELLMAN, Director		
J. E. STARK, Director		
	<u><u>\$2,150,988</u></u>	<u><u>\$1,815,965</u></u>

		1970	1969
LIABILITIES	CURRENT LIABILITIES		
	Cheques issued in excess of funds on deposit	—	\$ 32,483
	Bank loan, secured	\$ 45,000	65,000
	Accounts payable and accrued liabilities	207,774	134,062
	Unearned income	8,221	7,109
	Income taxes payable	169,055	29,504
	Principal instalments due within one year on long-term debt	35,469	33,467
	Amount owing on purchase of shares of subsidiary company	—	894,250
		465,519	1,195,875
	LONG-TERM DEBT		
	Equipment purchase agreements	60,243	91,460
	Less principal instalments included in current liabilities	35,469	33,467
		24,774	57,993
	DEFERRED INCOME TAXES		
		70,787	68,742
SHAREHOLDERS' EQUITY	CAPITAL STOCK (Note 2)		
	Authorized		
	1,500,000 Non-voting Class A shares without nominal or par value (1969 — 100 6% Non-cumulative non-participating redeemable preference shares, par value \$100)		
	1,000 Common shares without nominal or par value (1969 — 200 shares)		
	Issued		
	424,000 Class A shares (1969 - nil)	862,500	—
	1,000 Common shares (1969 - 200 shares)	200	200
		862,700	200
	RETAINED EARNINGS (note 3)		
		727,208	493,155
		1,589,908	493,355
		\$2,150,988	\$1,815,965
	COMMITMENT (note 5)		

**CONSOLIDATED STATEMENT
OF RETAINED EARNINGS**

YEAR ENDED AUGUST 31, 1970
(with comparative figures for 1969)

	1970	1969 (unaudited)
Retained earnings at beginning of year	\$ 493,155	\$ 389,055
Add net income for the year	275,603	164,100
	768,758	553,155
Deduct		
Dividends on common shares	20,000	60,000
Cost of issuing shares less income taxes related thereto	21,550	—
	41,550	60,000
Retained earnings at end of year	\$ 727,208	\$ 493,155

**CONSOLIDATED STATEMENT
OF INCOME**

YEAR ENDED AUGUST 31, 1970
(with comparative figures for 1969)

Gross revenue	\$2,399,667	\$1,465,918
Operating expenses	1,683,282	1,034,790
Income from operations before the undernoted items	716,385	431,128
Add		
Interest earned	3,096	554
Gain on sale of fixed assets	2,179	5,434
	5,275	5,988
Deduct		
Interest and amortization of deferred finance fees	11,145	7,932
Depreciation and amortization	147,632	115,133
	158,777	123,065
Income before income taxes	562,883	314,051
Income taxes	287,280	149,951
NET INCOME FOR THE YEAR	\$ 275,603	\$ 164,100
EARNINGS PER SHARE (1970 — weighted average; 1969 — after subdivision)	\$.72	\$.55

**CONSOLIDATED STATEMENT
OF SOURCE AND APPLICATION
OF FUNDS**

YEAR ENDED AUGUST 31, 1970
(with comparative figures for 1969)

	1970	1969 (unaudited)
SOURCE OF FUNDS		
Net income for the year	\$ 275,603	\$ 164,100
Items not involving current funds	147,632	115,133
Depreciation and amortization	2,045	6,904
Deferred income taxes	4,660	9,963
Deferred finance charges		
	<hr/> 429,940	296,100
Proceeds from sale of fixed assets, net of gains thereon included in net income	13,272	19,272
Issue of capital stock	<hr/> 862,500	<hr/> —
	<hr/> 1,305,712	<hr/> 315,372
APPLICATION OF FUNDS		
Share purchase deposit	50,000	—
Increase in cash surrender value of life insurance	906	1,762
Additions to fixed assets	112,228	57,796
Reduction of long-term debt	33,219	104,374
Dividends	20,000	60,000
Cost of issuing shares less income taxes related thereto	21,550	—
Acquisition of shares of subsidiary companies		923,625
Other items, net	<hr/> —	<hr/> 37,727
	<hr/> 237,903	<hr/> 1,185,284
INCREASE (DECREASE) IN WORKING CAPITAL	<hr/> 1,067,809	<hr/> (869,912)
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	<hr/> (861,047)	<hr/> 8,865
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<hr/> \$ 206,762	<hr/> \$ (861,047)

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 1970**

1. COMPARATIVE FIGURES

In 1969 the company changed its fiscal year end from December 31 to August 31. Consequently, audited figures for the statements of retained earnings, income and source and application of funds for the year ended August 31, 1969 are not available.

2. CAPITAL STOCK

During the year

- (1) The authorized and issued share capital was altered as follows:
 - (a) the maximum issue price for the 200 authorized and issued common shares was increased;
 - (b) the 200 common shares were then subdivided 1,500 for 1;
 - (c) 299,000 of the common shares resulting from such subdivision were designated as Class A shares;
 - (d) the 100 authorized preference shares were converted into Class A shares and the authorized number of Class A shares was increased so that the maximum number of Class A shares authorized to be issued is 1,500,000.
- (2) 125,000 Class A shares were issued for a net cash consideration of \$862,500;
- (3) Options were granted to senior officers and employees of the Company covering an aggregate of 20,000 Class A shares at an option price of \$7.50 per share. These options are for a term of five years.

3. RETAINED EARNINGS

Included in retained earnings at August 31, 1970 and 1969 is capital surplus of \$10,000 arising pursuant to Section 63 of the Companies Act of British Columbia on redemption of preference shares.

4. DIRECTORS' REMUNERATION

Aggregate remuneration of directors, including amounts paid to directors who are also officers, amounted to \$99,455 for the year ended August 31, 1970.

5. COMMITMENT

The Company has made a deposit of \$50,000 in connection with the intended purchase of all the shares of S.O.T.V. Holdings Ltd. for \$1,550,000. This purchase is subject to approval of the Canadian Radio-Television Commission and if such approval is not obtained the deposit is refundable.

AUDITORS' REPORT

To the Shareholders of
Q Broadcasting Ltd.

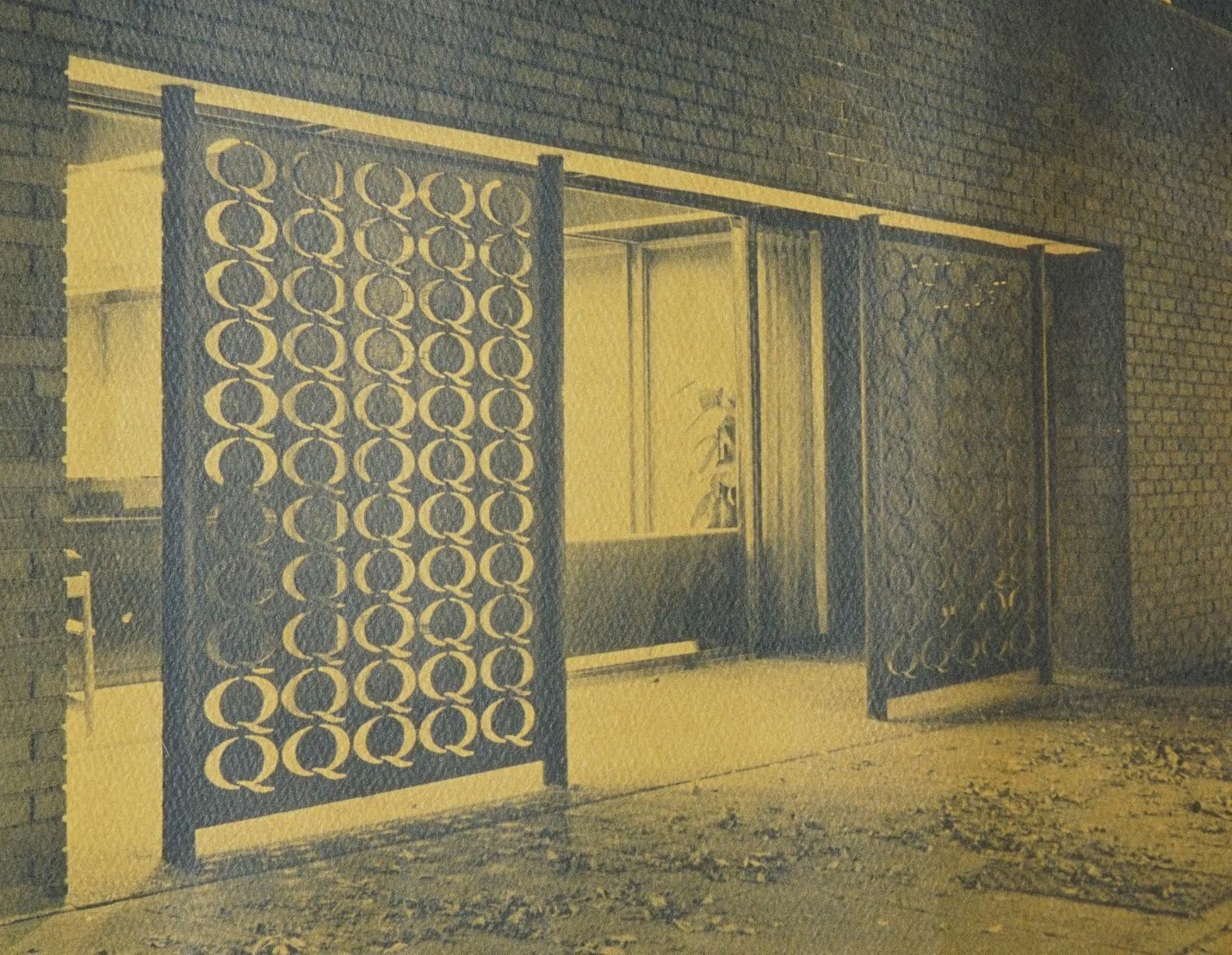
We have examined the consolidated balance sheet of Q Broadcasting Ltd. and subsidiary companies as at August 31, 1970, and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
October 16, 1970

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants







BROADCASTING LTD.